

**Fowlerville Area Fire Authority
Fowlerville, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

Fowlerville Area Fire Authority

Fowlerville, Michigan

June 30, 2008

AUTHORITY BOARD MEMBERS AND ADMINISTRATION

Roy DeGroot	Chair
Wayne Copeland	Vice-Chair
Cindy Denby	Treasurer
Eric West	Secretary
John Wright	Fire Chief
Julie Woodward	Secretary to the Board

Fowlerville Area Fire Authority

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June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Members of the
Fowlerville Area Fire Authority
Fowlerville, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Fowlerville Area Fire Authority as of and for the year ended June 30, 2008, which collective comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Fowlerville Area Fire Authority as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 24, 2008

Fowlerville Area Fire Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Overview

The Fowlerville Area Fire Authority, (the "Authority") has presented its financial statements in conformity with standards set by the Governmental Accounting Standards Board (GASB). The intent of these standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Authority's money and other assets are managed.

The standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Authority. The standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Authority's financial status. Through this comprehensive reporting of assets and liabilities, the reader will have a greater understanding of the Authority's financial health.

The discussion and analysis of financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2008. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- The assets of the Authority exceeded its liabilities at the close of the year by \$2,253,235 (net assets).
- The Operating Fund finished the year with an ending fund balance of \$1,024,907.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Fowlerville Area Fire Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Fowlerville Area Fire Authority in more detail than the government-wide financial statements by providing information about the Authority's fund.

Fowlerville Area Fire Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2007 and 2008.

	<u>2007</u>	<u>2008</u>
Assets		
Current assets	\$ 1,002,603	\$ 1,046,014
Capital assets, net	<u>1,651,997</u>	<u>1,708,728</u>
Total assets	2,674,600	2,754,742
Liabilities		
Current liabilities	73,102	84,690
Noncurrent liabilities	<u>472,949</u>	<u>416,817</u>
Total liabilities	<u>546,051</u>	<u>501,507</u>
Net Assets		
Invested in capital assets, net of related debt	1,128,361	1,235,778
Unrestricted	<u>1,000,188</u>	<u>1,017,457</u>
Total net assets	<u>\$ 2,128,549</u>	<u>\$ 2,253,235</u>

The Authority's total net assets were \$2,253,235 at June 30, 2008. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$1,017,457 at the end of the fiscal year. The net assets invested in capital assets were at \$1,235,778.

The following table shows the changes in net assets during the year ended June 30, 2007 and 2008.

	<u>2007</u>	<u>2008</u>
Revenue		
Program revenue:		
Charges for services	\$ 4,893	\$ 2,771
Capital grants and contributions	36,482	11,104
General revenue:		
Property taxes	564,464	596,451
Investment earnings	38,733	31,780
Other revenue	<u>75</u>	<u>6</u>
Total revenue	644,647	642,112
Program Expenses		
Public safety	422,393	493,927
Interest on long-term debt	<u>27,633</u>	<u>23,499</u>
Total expenses	<u>450,026</u>	<u>517,426</u>
Change in Net Assets	<u>\$ 194,621</u>	<u>\$ 124,686</u>

Fowlerville Area Fire Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Governmental Activities

The Authority's governmental revenues totaled \$642,112 with the greatest revenue source being property taxes. Property taxes make up approximately 93 percent of total governmental revenue.

The Authority incurred expenses of \$517,426 during the year, which represents an increase of \$67,400 from the prior year. This is due to the Authority purchasing a fire truck, which increased capital outlay expense significantly. As a special purpose government, most of the governmental expenses incurred are associated with the public safety function, however, some expenditures were incurred for interest payments on long-term debt.

The Authority's Fund

The analysis of the Authority's fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the individual fund, not the Fowlerville Area Fire Authority as a whole. The Fowlerville Area Fire Authority's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's only fund for the year ended June 30, 2008 was the General (Operating) Fund.

The General Fund pays for the Authority's governmental services. The sole service provided during the fiscal period was emergency management, which incurred expenditures of \$626,442.

General Fund Budgetary Highlights

Over the course of the period, the Authority Board did not make any budget adjustments to the budget during the year. Over the course of the next fiscal year, the Authority Board will make any necessary budget amendments to fund unexpected expenditures as they arise.

The Authority exceeded anticipated revenues by \$9,508. The Board stayed within the budgeted expenditures for the year, and had a total favorable budget variance of \$103,185 for the year ended June 30, 2008. Revenue exceeded budget due to increased taxes, and fire runs. Expenses were less than budgeted due to less capital outlay spent than budgeted, lower salaries and benefits, and a budgeted reserve transfer was handled off budget through balance sheet entries.

Capital Asset and Debt Administration

At the end of the fiscal year, the Authority had \$1,708,728 invested in land, buildings, equipment, and emergency service vehicles (net of accumulated depreciation). Fire equipment and vehicles in the amount of \$212,643 were added to capital assets during the year.

The Authority paid \$20,000 of principal on the 2002 General Obligation Bonds in the current year. Of the remaining balance of \$310,000, \$25,000 is shown as a current liability in the government-wide statement of net assets. The remaining balance of \$285,000 is shown as a long-term liability. The Authority also paid \$30,686 on its notes payable to Howell, Cohoctah, and Iosco Townships.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village of Fowlerville bookkeeper at 517-223-3771.

BASIC FINANCIAL STATEMENTS

Fowlerville Area Fire Authority

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,028,872
Receivables	75
Prepays	<u>17,067</u>
Total current assets	1,046,014
Noncurrent assets	
Capital assets not being depreciated	240,000
Capital assets net of accumulated depreciation	<u>1,468,728</u>
Total noncurrent assets	<u>1,708,728</u>
TOTAL ASSETS	2,754,742
LIABILITIES	
Current liabilities	
Accounts payable	5,260
Accrued liabilities	14,810
Due to other governmental units	1,037
Accrued interest payable	7,450
Current portion of long-term debt	<u>56,133</u>
Total current liabilities	84,690
Noncurrent liabilities	
Noncurrent portion of long-term debt	<u>416,817</u>
TOTAL LIABILITIES	<u>501,507</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,235,778
Unrestricted	<u>1,017,457</u>
TOTAL NET ASSETS	<u>\$ 2,253,235</u>

See accompanying notes to financial statements.

Fowlerville Area Fire Authority

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
Governmental activities				
Public safety	\$ 493,927	\$ 2,771	\$ 11,104	\$ (480,052)
Interest on long-term debt	23,499	-	-	(23,499)
	<u>\$ 517,426</u>	<u>\$ 2,771</u>	<u>\$ 11,104</u>	<u>(503,551)</u>
General revenues				
Property taxes				596,451
Investment earnings				31,780
Miscellaneous				<u>6</u>
Total general revenues				<u>628,237</u>
CHANGE IN NET ASSETS				124,686
Net assets, beginning of year				<u>2,128,549</u>
Net assets, end of year				<u>\$ 2,253,235</u>

See accompanying notes to financial statements.

Fowlerville Area Fire Authority
GOVERNMENTAL FUND BALANCE SHEET

June 30, 2008

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 1,028,872
Taxes receivable	75
Prepays	<u>17,067</u>
TOTAL ASSETS	<u><u>\$ 1,046,014</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 5,260
Accrued liabilities	14,810
Due to other governmental units	<u>1,037</u>
TOTAL LIABILITIES	21,107
FUND BALANCE	
Reserved for prepaids	17,067
Unreserved	
Designated for equipment purchases	214,693
Undesignated	<u>793,147</u>
TOTAL FUND BALANCE	<u>1,024,907</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,046,014</u></u>

See accompanying notes to financial statements.

Fowlerville Area Fire Authority

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Fund balance - governmental fund \$ 1,024,907

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$	2,238,315	
Accumulated depreciation is		<u>(529,587)</u>	
			1,708,728

Long-term liabilities, are not due and payable in the current period and therefore
are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds and notes payable		(472,950)	
Accrued interest payable		<u>(7,450)</u>	
			<u>(480,400)</u>

Net assets of governmental activities \$ 2,253,235

See accompanying notes to financial statements.

Fowlerville Area Fire Authority

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended June 30, 2008

	<u>General</u>
REVENUES	
Property taxes	\$ 596,451
Intergovernmental	11,104
Charges for services	2,771
Interest	31,780
Other	<u>6</u>
TOTAL REVENUES	642,112
EXPENDITURES	
Current	
Public safety	
Salaries and wages	158,369
Fringe benefits	12,145
Supplies	50,075
Contractual services	15,171
Insurance	25,380
Repairs and maintenance	5,383
Utilities	15,676
Training	9,473
Medical examinations	1,363
Other	7,051
Debt service	75,784
Capital outlay	<u>250,572</u>
TOTAL EXPENDITURES	<u>626,442</u>
NET CHANGE IN FUND BALANCE	15,670
Fund balance, beginning of year	<u>1,009,237</u>
Fund balance, end of year	<u><u>\$ 1,024,907</u></u>

See accompanying notes to financial statements.

Fowlerville Area Fire Authority

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balance - governmental fund **\$ 15,670**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	212,643	
Depreciation expense		<u>(155,912)</u>	
Excess of capital outlay over depreciation expense			56,731

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Repayment of long-term debt	50,686		
Decrease in accrued interest payable		<u>1,599</u>	
			<u>52,285</u>

Change in net assets of governmental activities **\$ 124,686**

See accompanying notes to financial statements.

Fowlerville Area Fire Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fowlerville Area Fire Authority was created on January 1, 2005 by a joint venture agreement between the Townships of Handy, Iosco, Cohoctah and Conway and the Village of Fowlerville. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. Each Township appoints one (1) member and the Village appoints one (1) member to the Board. The Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

The Authority is intended to operate as much as possible from funds and income derived from operations. However, each township is responsible for remitting the portion of the fire authority property tax levy collected to the Authority. Other responsibilities including insurance coverage and procedures for termination of services are explicitly detailed in the joint venture agreement, bylaws, and articles of incorporation of the Authority.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing* No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the Fowlerville Area Fire Authority. The Authority is considered a "joint venture" of the Village of Fowlerville, Handy Township, Iosco Township, Cohoctah Township and Conway Township.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes taxes, interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Authority's individual major fund. The major fund of the Authority is the General Fund. The General (Operating) Fund is the used to account for all financial resources to be used for fire protection services provided to each participating municipality.

Fowlerville Area Fire Authority
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, charges for services, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of checking account and pooled investment funds. Cash equivalents are recorded at market value.

6. Capital Assets

Capital assets include land, buildings and improvements, vehicles and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial cost of \$5,000 or more, or \$500 or more for items considered to be theft sensitive, and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Fowlerville Area Fire Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10-20 years
Vehicles	7-20 years
Equipment	5-20 years

7. Property Taxes

The participating Townships levy and collect property taxes for the Authority. As the Fire Authority tax is collected it is remitted by the Township Treasurers. At March 1 each year the Townships settle their delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Authority by the County Treasurer in Livingston County. Delinquent personal property taxes are retained by the Township Treasurers for subsequent collection. For the year ended June 30, 2008, the Townships levied 1.0558 mills. The total taxable value for the 2007 levy for property within the Townships was \$540,467,266.

8. Budgets and Budgetary Accounting

The General (Operating) Fund budget shown as required supplementary information to the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results. This modified accrual basis is consistent with accounting principles generally accepted in the United States of America.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the budget is legally adopted on a fund level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity must be approved by the Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

9. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

Fowlerville Area Fire Authority's deposits consist of a checking account. The Authority also maintains a money market mutual fund, which is reported as cash and cash equivalents on the Balance Sheet and Statement of Net Assets.

Fowlerville Area Fire Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

In accordance with Michigan Compiled Laws, the Fowlerville Area Fire Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the Fowlerville Area Fire Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Fowlerville Area Fire Authority.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2008, the carrying amount and bank balance for the deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ <u>2,800</u>	\$ <u>4,799</u>

The bank balance as of June 30, 2008 was fully insured by the FDIC.

Due to significantly higher cash flow at certain periods during the year, the amount the Authority held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Fowlerville Area Fire Authority
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Investments

As of June 30, 2008, the carrying amount and market values for each investment are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
JP Morgan Chase Michigan Governmental MMF	\$ 1,026,072	\$ 1,026,072	26 Days

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2008, the Authority's investment in uncategorized pooled investments was not rated by an NRSRO.

Interest rate risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of credit risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Authority will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Balance Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 240,000	\$ -	\$ -	\$ 240,000
Capital assets being depreciated				
Buildings and improvements	1,255,080	-	-	1,255,080
Equipment	228,183	34,636	-	262,819
Vehicles	302,409	178,007	-	480,416
Subtotal	1,785,672	212,643	-0-	1,998,315

Fowlerville Area Fire Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE C: CAPITAL ASSETS - CONTINUED

	<u>Balance July 1, 2007</u>	<u>Balance Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Governmental activities - continued				
Less accumulated depreciation for:				
Buildings and improvements	\$(171,833)	\$(66,004)	\$ -	\$(237,837)
Equipment	(121,331)	(51,597)	-	(172,928)
Vehicles	(80,511)	(38,311)	-	(118,822)
Subtotal	(373,675)	(155,912)	-0-	(529,587)
Net capital assets being depreciated	<u>1,411,997</u>	<u>56,731</u>	<u>-0-</u>	<u>1,468,728</u>
Capital assets, net	<u>\$ 1,651,997</u>	<u>\$ 56,731</u>	<u>\$ -0-</u>	<u>\$ 1,708,728</u>

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Authority for the year ended June 30, 2008.

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Amount due within one year</u>
2002 G.O. Bonds	\$ 330,000	\$ -	\$ 20,000	\$ 310,000	\$ 25,000
Notes payable					
Howell Township	30,643	-	10,214	20,429	10,214
Cohoctah Township	37,579	-	12,527	25,052	12,527
Iosco Township	<u>125,414</u>	<u>-</u>	<u>7,945</u>	<u>117,469</u>	<u>8,392</u>
	<u>\$ 523,636</u>	<u>\$ -0-</u>	<u>\$ 50,686</u>	<u>\$ 472,950</u>	<u>\$ 56,133</u>

Significant details regarding outstanding long-term debt are presented below:

General Obligation Bonds

\$400,000 Township of Handy General Obligation Bonds, assumed by the Authority upon formation with outstanding principal of \$370,000, dated September 24, 2002, payable in annual installments ranging from \$20,000 to \$40,000 through October, 1 2017 with interest of 4.450% payable semi-annually.

\$ 310,000

Notes Payable

\$23,566 note payable to Howell Township dated March 29, 2005, payable in annual installments of \$4,713 through January 20, 2010, with interest of 5.625% payable annually.

\$ 9,427

\$27,507 note payable to Howell Township dated March 29, 2005, payable in annual installments of \$5,501 through January 20, 2010, with interest of 6% payable annually.

11,002

\$ 20,429

Fowlerville Area Fire Authority
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D: LONG-TERM DEBT - CONTINUED

Notes Payable - continued

\$42,985 note payable to Cohoctah Township dated March 29, 2005, payable in annual installments of \$8,597 through January 20, 2010, with interest of 5.625% payable annually. \$ 17,194

\$19,648 note payable to Cohoctah Township dated March 29, 2005, payable in annual installments of \$3,930 through January 20, 2010, with interest of 6% payable annually. 7,858

\$ 25,052

\$140,058 note payable to Iosco Township dated January 31, 2006, payable in annual installments of \$15,000 through January 31, 2019, with interest of 5.625% payable annually. \$ 117,469

The annual requirement to pay the debt principal and interest outstanding for the long-term debt is as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 25,000	\$ 13,409	\$ 31,133	\$ 9,237
2010	25,000	12,296	31,604	7,451
2011	25,000	11,184	9,363	5,637
2012	30,000	9,960	9,890	5,110
2013	30,000	8,625	10,446	4,554
2014-2018	175,000	21,037	61,734	13,266
2019	-	-	8,780	494
	<u>\$ 310,000</u>	<u>\$ 76,511</u>	<u>\$ 162,950</u>	<u>\$ 45,749</u>

NOTE E: RISK MANAGEMENT

The Authority is exposed to various risks of loss including accidental death, dismemberment, disability, medical expense benefit; errors and omissions; blanket accident; firefighter accident; and workers' compensation for which the Authority carries commercial insurance.

NOTE F: FUND BALANCE RESERVATIONS AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance which the Authority has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following is the fund balance reserve as of June 30, 2008:

Reserved for prepaids \$ 17,067

The following is the fund balance designation as of June 30, 2008:

Designated for equipment purchases \$ 214,693

REQUIRED SUPPLEMENTARY INFORMATION

Fowlerville Area Fire Authority

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 578,500	\$ 590,200	\$ 596,451	\$ 6,251
Intergovernmental	-	11,104	11,104	-0-
Charges for services	4,550	300	2,771	2,471
Interest	25,000	31,000	31,780	780
Other	-	-	6	6
TOTAL REVENUES	608,050	632,604	642,112	9,508
EXPENDITURES				
Current				
Public safety				
Salaries and wages	141,528	162,580	158,369	4,211
Fringe benefits	11,033	12,637	12,145	492
Supplies	33,190	32,042	50,075	(18,033)
Contractual services	20,650	18,150	15,171	2,979
Permits	2,000	-	-	-0-
Insurance	31,738	37,293	25,380	11,913
Repairs and maintenance	10,500	7,000	5,383	1,617
Utilities	15,528	17,439	15,676	1,763
Training	10,000	9,900	9,473	427
Medical examinations	6,650	1,500	1,363	137
Other	55,131	62,387	7,051	55,336
Debt service	79,445	76,374	75,784	590
Capital outlay	281,486	292,325	250,572	41,753
TOTAL EXPENDITURES	698,879	729,627	626,442	103,185
NET CHANGE IN FUND BALANCE	(90,829)	(97,023)	15,670	112,693
Fund balance, beginning of year	1,009,237	1,009,237	1,009,237	-0-
Fund balance, end of year	\$ 918,408	\$ 912,214	\$ 1,024,907	\$ 112,693

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

Members of the
Fowlerville Area Fire Authority
Fowlerville, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Fowlerville Area Fire Authority, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Fire Authority's basic financial statements and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fowlerville Fire Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire Authority's internal control. Accordingly we do not express an opinion on the effectiveness of the Fire Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fire Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

08-1 POLICIES AND PROCEDURES

Based on our discussion with management, we noted that the Authority has not formally adopted a written procedure and policy for one area of operation. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible. Specifically, we recommend that the Authority develop, formally adopt, and implement a written procedure and policy for the following area:

Electronic transaction policy - During discussions with management, we noted that the Authority has not adopted a policy governing the use of electronic transactions and Automated Clearing House (ACH) arrangements. We recommend the Authority adopt an electronic transactions policy.

This report is intended solely for the information and use of management of the Fowlerville Area Fire Authority, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

November 24, 2008